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No. 5

# CANADA AT WAR

## A SUMMARY OF CANADA'S PART IN THE WAR

*Revised to August 1st, 1941*


This booklet is one of a series of releases intended to serve as source material for speakers and those who ask for up-to-date information about Canada's participation in the war. It will be revised monthly and will contain the most recent of available facts and figures.

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## GENERAL SUMMARY

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Canada went to war with Germany on September 10, 1939, in accordance with a free vote of a free parliament. The Dominion was completely at liberty to make war or to abstain from making war. Canada's prompt and uncompelled decision was given as soon after the outbreak as Parliament could be called together. Britain went to war on September 3, 1939. On September 7 the Canadian Parliament assembled and three days later Canada declared war on Germany. When Italy began hostilities on June 10, 1940, Canada at once declared war on her.

Although at the outbreak of war in September, 1939, the Dominion was a relatively weak military power, in the ensuing twenty-three months she has built a war machine, the actual and potential strength of which is very considerable. During the years 1936-39 action was taken to modernize and expand the Canadian armed forces and to prepare measures for the defence of Canadian territory. The 1939 estimates provided about \$64,500,000 for the three Services: Navy, Army and Air Force. This was by far the largest sum ever allocated in Canada for defence in time of peace. Nevertheless these pre-war steps were limited by a peace-time budget. Canada went to war with armed forces whose size was insignificant in comparison with those of European nations and with her industrial plant operating almost entirely on a peace-time basis.

Since the beginning of the war the Dominion has diverted more and more of her resources, both human and material, into her war effort. In 1941-42 Canada will spend about 40 per cent of the national income for war. Approximately three hundred thousand Canadians are serving in the active armed forces of the Dominion abroad and at home. They have been enlisted on a voluntary basis for the duration and will go wherever required. The population of the United States is more than ten times that of Canada. The roll-call of the Canadian Navy, Army and Air Force, in terms of the population of the United States, is equivalent to an armed strength of well over three million men. This does not take into account the Canadian Reserve Army for home defence. On the industrial front



Canada's manufacturing capacity is now largely occupied with the production of war materials.

Canada is in full agreement with Great Britain on plans for the conduct of the war for the immediate future. The Canadian Government has assured the British Government that Canada has only one object—a full-out contribution with everything Canada has and as fast as she can give it. Canada is continually adding to the strength of her overseas forces, and is prepared to have them go wherever their services may count for most.

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## CANADA IN THE THEATRES OF WAR

Canada, as an active belligerent, has sent sailors, soldiers, airmen, and naval units to the British Isles and to other strategic parts of the world. Nearly 90,000 Canadian sailors, soldiers and airmen are now overseas.

### *The Navy*

Canada's sailors are manning Canadian warships which daily take part in the Battle of the Atlantic and in operations in British waters. Others patrol many parts of the seven seas. Canadian destroyers average twenty to twenty-five days a month at sea. Since the outbreak of war, the Royal Canadian Navy has captured several enemy vessels and caused others to be scuttled. It has destroyed enemy submarines, effected rescues and assisted in the evacuation of beleaguered troops. A Canadian vessel rescued from France the British Ambassador, the South African Minister and the Canadian Minister. H.M.C.S. St. Laurent rescued 850 survivors of the "Arandora Star" in about two hours. Many Canadians serving with the Royal Navy received citations for demolition work during the evacuation of France. Atlantic shipping carrying a total of more than twenty-seven million tons has been convoyed by the Royal Canadian Navy, in co-operation with the Royal Navy. Hundreds of Canadians are serving with the Royal Navy, are on loan to the Royal Navy for temporary service or are training in Royal Navy establishments.

### *The Army*

An army corps of two divisions, comprising, with ancillary troops, scores of thousands of men, has been in the British Isles for a considerable time. They guard vital

sectors. One of the latest units to arrive in Britain, along with sailors, airmen and various reinforcements, was the First Canadian Army Tank Brigade. Other Canadian soldiers are in Newfoundland, the British West Indies and Gibraltar. Until their recent removal to service elsewhere, Canadian troops for many months helped to garrison Iceland, where they played an important part in building the defences of that strategic island.

The Canadian Army overseas, unlike the Royal Canadian Navy and the Royal Canadian Air Force, has so far seen little real "action". This, however, has been pure bad luck. Canadian forces were on their way to Norway in April, 1940, but a change of strategy kept them in Scotland; they landed in France in June, 1940, but were withdrawn before meeting the enemy when Allied generals decided that further resistance in Brittany was inadvisable. Since that time they have trained and manoeuvred assiduously and become, at least for the time being, an integral unit in Britain's powerful defence forces. They have also done what useful work they can in various parts of the British Isles. Canadian engineers have engaged in bomb disposal work, built roads and helped to erect coastal and inland defences; Canadian signallers have repaired telegraph and telephone lines damaged by enemy action; Canadian foresters have assisted British lumbering; Canadian soldiers have performed a variety of homely but useful tasks whenever they have been able to be of assistance.

### *The Air Force*

Canadian airmen have, from the beginning, been taking part in the Battle of Britain. Canadian fighter pilots have shot down a large number of enemy planes, and others have engaged in bombing and reconnaissance work.

Canada's overseas air strength has grown steadily. At the outbreak of war a considerable number of Canadians were serving with the R.A.F. and have since taken part in its operations over Britain and France and in the Near East. One of Canada's Great War "aces", now Air Commodore Raymond Collishaw, is in command of the R.A.F. Bomber Group in the Middle East and has played a prominent part in British campaigns in that area.

In the fall of 1939, some of the Canadians in the R.A.F. formed the "All-Canadian" squadron under the famed legless Squadron Leader Douglas Bader. Early in 1940



the first Canadian army co-operation squadron arrived in Britain; it was followed shortly by No. 1 R.C.A.F. fighter squadron and a third squadron. Canadian airmen had some signal successes over Britain and over France in the fall of 1940. No. 1 R.C.A.F. fighter squadron shot down twelve enemy planes in their first nineteen days of operation and put others out of action. The "All-Canadian" squadron of the R.A.F. destroyed at least thirty planes over France and the Low Countries during the Battle of France and by January, 1941, had accounted for more than 100 enemy planes. The squadron had the honour of being the last to leave French soil.

The "All-Canadian" squadron fought over Dunkirk, and over London in the autumn of 1940. On September 7, in the air battle for the docks they chased a large formation from East London to the coast, shooting down 4 Dorniers, 6 Messerschmitt-110 fighter-bombers and 2 single seater fighters. On September 9, they destroyed 6 bombers, fighting over the streets of London itself. On September 15, when 185 of the enemy were destroyed, the "All-Canadians" fought twice. In the morning they chased the enemy from Hammersmith to Beachy Head, shooting down 5 Dorniers and a Messerschmitt-109. In the afternoon, fighting over the Thames Estuary, they destroyed 3 Dorniers, 1 Heinkel-111 bomber and 3 Messerschmitt-109 fighters. On September 18, the "All-Canadians" accounted for 14 bombers, out of a leading group of 20 which were trying to reach London. In six fights, the squadron destroyed 55 enemy planes, with a loss of only two of their own pilots.

Exploits of single Canadian airmen serving with the R.A.F. include the shooting down of an Italian seaplane in the Middle East, an attack on a U-boat off the Norwegian coast by a Canadian pilot of the Coastal Command, and the work of a Canadian pilot who served in France in May and June, 1940, later joined a Polish squadron of Hurricanes and fought over London in September and November, and celebrated his first two days as leader of a Spitfire squadron by shooting down 3 enemy aircraft over Kent. Canadian pilots with the R.A.F. have fought over Libya and Greece.

During late 1940 and in 1941 Canadian airmen have been steadily arriving in Britain. A considerable number of Canadian squadrons are now operating in the British Isles. In June it was announced that the first Canadian Bomber Squadron of the R.A.F. had been formed.

Thousands of Canadian radio and ground technicians have for some time been assisting the R.A.F. in detecting night bombers and performing other ground duties.

R.C.A.F. planes operating from Canadian bases have also had their moments of more than routine activity. Squadrons of the Atlantic coastal command took part in the recent search for the "Bismarck" and were ready to go into action, should this have been necessary.

### *Casualties*

More than 1,200 Canadian sailors, soldiers and airmen have so far been listed as dead or missing. Of these 736 were killed, 285 died, and 195 are missing. Three hundred and forty-five have been wounded. In addition, a considerable number of Canadians serving with British forces, as distinct from Canadian units, have given their lives. Many Canadians have been decorated or mentioned in despatches.

### *Reinforcements*

This year Canada will send overseas two additional divisions—the 3rd Division and the 5th Division (Armoured)—and miscellaneous reinforcements. Contingents of airmen arrive regularly in the British Isles and the flow increases steadily in volume as the months go on. About 2,500 more radio technicians will go overseas this year. Canadian naval assistance continues to develop strength.

## AID TO BRITAIN

### *Munitions and Supplies*

Since the outbreak of war Canada has sent vast quantities of supplies to Britain. Canadian exports to the United Kingdom in the twelve months ending March 31, 1941, jumped 45 per cent over the twelve months ending March 31, 1940, and during the current fiscal year it is expected that Canada will export goods to Britain to the value of about \$1,500,000,000—the equivalent of nearly \$23,000,000,000 worth of goods in terms of American population and income. Supplies sent to Britain to date include large quantities of foodstuffs such as wheat, bacon, eggs, cheese and canned goods; raw materials such as base metals and timber; and war equipment such as machine guns, two-pounder guns, anti-aircraft gun barrels, shells,



small arms ammunition, explosives and chemicals, airplanes, corvettes, minesweepers, small boats, mechanized transport, and universal carriers. A considerable number of Canadian ships have been made available to Britain for carrying supplies and for naval duties.

### *Financial Aid*

Canadians have provided Britain with about three-quarters of the Canadian dollars she has so far needed to purchase war supplies in Canada; and they will finance the bulk of Britain's expenditures in Canada in the coming months.

In addition to British goods sent to Canada, Britain has already needed a billion Canadian dollars to cover her purchases in Canada. About a quarter of this sum Britain paid Canada in gold. It has cost Canada in the United States more gold than this to enable her to fill her British orders; and there have been no gold shipments from Britain to Canada since December, 1940. The remaining \$750,000,000 Canada herself has supplied.

Canada provides Great Britain with some of the Canadian money she needs by repatriating Canadian securities held in Britain. This amounts to paying debts before they fall due. The Dominion supplies the rest by accumulating Sterling balances—in effect, lending Great Britain money. All this credit, like the money raised to spend on Canada's own war effort, must be provided by the Canadian people. During the present fiscal year the total required for financial aid to Britain will be between \$800,000,000 and \$900,000,000.

### *Military, Economic and Scientific Co-operation*

Military, economic and scientific co-operation between Great Britain and Canada is extremely close. It is fostered through diplomatic and trade channels, by means of personal visits by officials and experts back and forth across the Atlantic, and through various boards established by both governments. These visits are going on continually. In addition, several Canadian cabinet ministers who are concerned with the conduct of the war have been to Britain to consult with the British authorities. These include the Minister of National Defence, the Air Minister, the Minister of Munitions and Supply, the Minister of Agri-



culture and the Minister of Pensions and National Health. A close liaison between Canadian and British forces is maintained through Canadian Army Headquarters in Great Britain, the Commodore Commanding Canadian Ships and Establishments in the United Kingdom, and Royal Canadian Air Force Headquarters in Great Britain.

Canada has taken charge of a number of enemy prisoners of war, most of whom have been captured on one of the many battle fronts of the war. These prisoners are kept in internment camps and are treated in accordance with an International Convention which lays down regulations for the treatment of combatant war prisoners.

Prices of foodstuffs, raw materials and war equipment purchased by Britain in Canada are kept at reasonable levels and the Canadian Government, acting as purchasing agent for Britain, buys at the lowest possible prices and, of course, makes no profit on anything it buys in Canada on British account. Canada pays for the equipment and upkeep of her forces overseas. Co-operation with Great Britain in the matter of raw material supply is extremely close, and every effort is made to co-ordinate the work of the two countries, along with that of the United States, in this important phase of the war program.

Canadian scientists are co-operating closely with British experts, and many Canadian technicians have gone to Britain.

### *Voluntary Aid To Britain and the Work of Canadian Civilians in Britain*

The Canadian Red Cross and a large number of smaller organizations in Canada have contributed money and badly needed articles to Britain since the outbreak. Bombed towns have been assisted by gifts of money, with blankets, clothing, first aid equipment and other conveniences. Ambulances and mobile kitchens have been provided for the relief of the wounded and to assist A.R.P. workers. Several organizations are devoted to the provision of certain specially needed articles such as cigarettes and seeds. Others have adopted certain towns or have undertaken to assist special groups such as fire-fighters, children and the congregations of bombed churches.

A large amount of money has been subscribed by Canadians for the purchase of airplanes and other types of war equipment. Many different funds are collecting for this purpose.

Canadian civilians in Britain are engaged in war work. There are now several Canadian hospitals in Britain, staffed by Canadian doctors and nurses. Canadian convalescent homes have also been established. Other Canadian medical men and women are providing professional services in various ways. Many Canadian doctors are with British forces.

Other Canadian civilians in Britain, apart from those who have joined the British armed forces, have taken on many different wartime jobs. Hon. Vincent Massey, in addition to his duties as Canadian High Commissioner in London, has been active with Mrs. Massey in promoting the welfare of the forces. Mrs. Massey is head of the Canadian Women's Club, which assists bombed areas and provides entertainment for the troops. Lord Beaverbrook, Canadian-born British newspaperman, is now Minister of Supply in the British Government. When Minister of Aircraft Production, he was assisted by two prominent Canadians, one of whom was Lord Bennett, formerly Rt. Hon. R. B. Bennett, one-time Prime Minister of Canada. Lord Bennett was also the first chairman of the London Committee of the Canadian Red Cross. J. C. Patterson, European General Manager of the Canadian Pacific Railway, has been placed in charge of the transport of food and munitions over British railways in the United Kingdom. Canadian-born Sir Edward Peacock has been undertaking an important financial mission in the United States on behalf of the British Government.

Another service being performed by Canadian civilians in Britain is the provision of facilities which contribute to the well-being of Canadian forces there. This, indirectly, is a real contribution to the defence of Britain; for it helps to maintain the morale of troops who for many months have been doing little but training and waiting but who may at any time be called upon to play a vital part in repelling the invader. Canadian Auxiliary Services, embracing the Canadian Legion, the Knights of Columbus, the Salvation Army and Y.M.C.A., along with the Red Cross, provide canteens, service clubs and hostels for Canadian sailors, soldiers and airmen. They also provide mobile film units and other entertainments for the troops. About sixteen mobile film units are circulated daily by the Canadian Auxiliary Services. The importance which the Dominion Government attaches to the work of the Auxiliary Services, may be judged from the fact that Hon. R. J. Manion,

formerly leader of the Conservative party in Canada, was recently sent to Britain to make an intensive study of the work of these organizations.

Also helpful in maintaining the morale of Canadian troops overseas are the Canadian Legion Educational Services. They provide Canadian soldiers with sources of instruction covering a wide variety of non-military subjects, and thousands of Canadians in Britain are taking advantage of these courses.

Outstanding service is being rendered along these lines by J. B. Bickersteth, Warden of Hart House in the University of Toronto, and now attached to Canadian Military Headquarters in Britain. He helps to provide Canadian troops with concerts, art exhibitions, libraries, and a variety of other cultural pursuits which are proving extremely popular.

Canadian organizations in Britain are also assisting in this work. Canada Clubs in London, Glasgow, Bristol and other centres provide Canadian troops with hospitality when on leave. The London Association of Canadian Ex-Service men, and its branches, and Canadian pensioners of the last war resident in Britain, the Masons' Canada Lodge, and similar groups, also play their part in helping Canadians to spend their leave pleasantly and profitably. A large number of Canadian artists and entertainers put on regular programs for the troops over the B.B.C. A hostel and service club for Canadian nurses in England has been organized.

## HOME DEFENCE AND SECURITY

Since the outbreak of war Canada has taken steps greatly to strengthen the defence of her coasts and other strategic areas. The Canadian sections of both North American coasts are guarded by naval and air patrols, coastal and anti-aircraft guns and large concentrations of troops. Strategic air bases have been built throughout the Dominion. Canada is spending \$20,000,000 this year on additional air bases of strategic importance, including a string of air fields designed to give military planes access to Alaska. Troops guard vital points throughout the country. The Veterans' Guard plays an important part in this work. In many areas local authorities have organized Civilian Defence and Air Raid Precautions units. Blackout practices have been held in several cities.



Under the Defence of Canada Regulations all possible precautions are taken against sabotage and fifth column activity. The Royal Canadian Mounted Police, under the direction of the Federal Department of Justice, are in charge of this work.

## THE NAVY

(See also page 4.)

The Royal Canadian Navy went into action the moment that Canada declared war. Since, in addition to the work it has done in British and other non-Canadian waters, it has successfully protected the Dominion's shores and ports.

The Navy has grown speedily. At the outbreak of war its strength was about 3,600 men and it had 13 ships of all kinds. To-day its mobilized strength is more than 20,000 men and it musters more than 200 vessels—including 13 destroyers, three armed merchant cruisers, a number of corvettes and minesweepers and a large fleet of smaller craft suitable for patrol and anti-submarine work. By March, 1942, the strength of the Royal Canadian Navy is expected to be about 27,000 men and more than 400 ships.

The Navy has listed 336 men killed, 20 missing, 39 who died and 63 wounded. (July 25, 1941).

## THE ARMY

(See also page 4.)

### *The Canadian Army (Active and Reserve)*

The Canadian Army has expanded greatly since the outbreak of war. In September, 1939, the Dominion had a Permanent Force of some 4,500 and a Non-Permanent Active Militia, which corresponded to the National Guard in the United States, of about 55,000—approximately 60,000 men in all. Now the Canadian Army (Active and Reserve) comprises about 390,000 men.

### *The Canadian Army (Active)*

The Canadian Active Army is a body of some 220,000 volunteers who have enlisted for service anywhere for the duration of the war and for as long thereafter as the Government may require them. Scores of thousands are now overseas, and the rest are training or on duty in Canada while awaiting movement elsewhere.

A special two-months campaign to enlist 32,000 volunteers for the Active Army was recently concluded. The total number of volunteers actually enlisted was 34,625. About 48,000 men volunteered but many were rejected because of the strict medical examination. The Active Army is continuing to enlist monthly quotas of about 7,000 on a voluntary basis.

### *The Canadian Army (Reserve)*

The Canadian Reserve Army is for home defence. It numbers about 170,000 men and comprises volunteers, thirty-day trainees and four-months trainees.

The Reserve Army, September, 1939, to June, 1941

Until recently, the Reserve Army consisted entirely of men who trained for a specified number of hours each week, or in camp in the summer, and at the same time carried on with their peace-time jobs. Many of them joined voluntarily before the war or during the first year of hostilities. Beginning in October, 1940, its numbers were increased by monthly classes of thirty-day trainees.

The Reserve Army performed certain home defence duties early in the war and provided reinforcements for the Active Army. Home defence, however, was largely taken care of by full-time troops—the Active Army, Navy and Air Force, and the Veterans' Guard.

Compulsory military training for the Reserve Army was first announced in Canada in June of 1940. In that month the National Resources Mobilization Act was passed. It gave the Canadian Government power to require "persons to place themselves, their services and their property" at the disposal of the country whenever this "may be deemed necessary or expedient for securing the public safety, the defence of Canada, the maintenance of public order, or the efficient prosecution of the war." This power, however, "may not be exercised for the purpose of requiring persons to serve in the military, naval or air forces outside of Canada or the territorial waters thereof."

The first group to be given thirty days' basic training under the authority of this act, went to camp in October of 1940. In the succeeding months about 87,000 men were so trained. Some of these joined the active forces; the rest were posted to the Reserve Army for part-time training.

In February, 1941, it was announced that the period of training would be increased to four months. The first four-months class went to camp in March, 1941.

### The Reserve Army To-Day

To-day with increasing numbers of the active forces moving overseas, a full-time home-defence force is being built in Canada. It was announced in June, 1941, that men drafted for four months' basic training are, unless they volunteer for service anywhere, to be kept in uniform and posted to coast defence units or other stations in Canada. They may be so kept for as long, during the period of war, as the Government sees fit.

This applies to all single men, and widowers without children, in the 21-24 years age group, which includes, among others, all men previously given thirty days' training. Only men in first-class physical condition are selected and provision is made for exemptions in certain cases where it is in the public interest that they should be granted.

To date, five monthly classes totalling about 18,000, have been drafted for the new full-time Reserve Army. The first class, numbering 4,000, completed its four months' training in July. Over one-half of these men volunteered for active service in the Army, Navy or Air Force. The rest were posted to coastal defence units or to training centres and military establishments in Canada. A few were granted postponements.

Each month a new class will graduate and another class of draftees will go to camp. In this way Canada is gradually building a full-time Reserve Army for home defence and releasing soldiers of the Active Army, now stationed in Canada, for overseas duty.

### *Equipping the Army*

Nearly half of Canada's estimated direct war expenditure in the present fiscal year will be devoted to Army needs. While first consideration has necessarily been given to the equipping of Canadian overseas forces and to sending material to Britain, the Canadian Army at home is steadily being fully equipped.

The Army is now enlisting women for auxiliary service.

The Army has listed 56 killed, 84 missing, 226 who died and 150 wounded. (July 25, 1941).



## THE AIR FORCE

(See also page 5.)

The personnel of the Royal Canadian Air Force is to-day about 60,000 or approximately twelve times as large as it was at the outbreak of war, and its numbers are rapidly increasing.

The British Commonwealth Air Training Plan, first announced in December, 1939, has expanded very rapidly to keep pace with the urgent demands of the war. It is now turning out thousands of pilots, gunners, and observers at about twice the rate originally planned for this time. Under the Plan, 68 schools from coast to coast are in operation and it is expected that by September of this year this number will total about 90. The plan now has about 120 establishments of all kinds. During daylight one plane every twenty seconds leaves the ground at some Air Training schools.

It is estimated that the Air Training Plan, in the first three years of its operation, will cost \$824,000,000, of which Canada will supply \$531,000,000. Canada provides about 80 per cent of the students. Others come from Australia and New Zealand. British airmen also train in Canada. About 8% of the air crew trained or in training in the R.C.A.F. are Americans, and about 600 American pilots are serving as instructors for the Air Training Plan.

In addition to despatching men overseas, the R.C.A.F. is a powerful factor in Canada-United States defence. Its planes are on patrol duty in the Dominion daily, and far out to sea on the Atlantic and Pacific coasts.

The British Commonwealth Air Training Plan will soon have a pool of partially-trained recruit material. The Air Cadet League of Canada is now enrolling youths for a grounding in air force elementary training. It is expected that at least 25,000 will have signed on by September of this year.

The Air Force is now enlisting women for auxiliary service.

The Air Force has listed 344 killed, 91 missing, 20 who died and 132 wounded. (July 25, 1941).

## EQUIPPING THE ARMED FORCES

### *Building a War Industry*

Practically every Canadian factory that can produce for war is now doing so directly or indirectly. Many new plants have been built and old ones expanded and provided with new equipment. Since the war began the Canadian and British Governments have authorized expenditures of over \$520,000,000 for the construction of plants and the purchase of equipment and materials. The ownership of these new plants, plant extensions and equipment is vested in the Crown.

### *Construction*

This industrial expansion has involved tremendous construction activity. In addition to expanding industry, the construction business has undertaken a \$110,000,000 defence building program, under which several thousand buildings and about 100 air fields have already been completed. Of 271 construction contracts awarded between April 1 and June 30 of this year, by the Department of Munitions and Supply, 200 were for Air Force projects.

An idea of what construction companies in Canada have been and still are undertaking, is evident from the fact that during the first five months of this year the number of construction contracts awarded was about 50% greater than the number let in the corresponding period of 1940; and construction contracts in 1940 were about 85% higher than in 1939.

Substantial progress has rapidly been made in the provision of low-cost dwellings for war workers. Wartime Housing Limited (a Government-owned company) is at present erecting more than 2,000 houses in Halifax and in ten other crowded communities. This program is steadily being extended. The accommodation is to be temporary in character and will be rented to the occupants.

### *Production*

In the first year of the war the provision of plant structures and of machinery constituted a serious problem towards a solution of which all concerned made a concentrated effort. Now that many of these difficulties have been overcome, Canadian industry has struck its stride and its record in war production has been impressive.

## *Ships*

Shipbuilding has increased tremendously in Canada. At the beginning of the war there were only 1,500 workers in Canadian shipyards. Now more than 20,000 workers are employed in 17 major and 45 smaller yards. Today the shipbuilding program, including the merchant-ship program, involves an expenditure of about \$320,000,000.

Of this amount about \$120,000,000 is being spent on naval vessels. Some 226 such ships have been ordered, not including small craft, and well over 100 have either been delivered or launched. Sixty-six corvettes and thirty-five minesweepers have been launched. Three "merchant cruisers" and twenty-seven yachts have been converted to naval use. Twenty-four patrol boats and twelve special minesweepers have been ordered. The keels of two destroyers are to be laid down.

Deliveries also are being made regularly under the \$8,000,000 small-boat program. Nearly 1,000 boats have been ordered, and 350 have been completed. The program includes such craft as crash boats, aircraft tenders, bomb-loading dinghies, salvage and supply boats and various types of scows for the Air Force; harbour utility craft, motor torpedo boats, whalers, pulling boats and service dinghies for the Navy; and service boats and collapsible assault boats for the Army.

## *Aircraft*

The Canadian aircraft industry was of small dimensions at the beginning of the war, but since that time it has built a large number of aircraft. During the three months ending June 30, 1941, Canada's production of aircraft was 25% greater than that of the preceding three months. Output in the first six months of this year exceeded the total for all of 1940.

In recent months the rate of production has been about 40 planes a week. Canadian plants are now turning from the production of training craft to service craft, and plants already manufacturing service planes are changing their output to meet new needs. The actual output of the airplane industry—measured either in pounds of plane components produced or in man-hours—will continue to grow. The amount of labor and time required to construct a service plane may be anywhere from four to forty times as great as that involved in a trainer.



Planes already produced by the Canadian aircraft industry include Hurricane fighters, Bolingbroke and Hampden bombers, Lysander co-operation craft, and six types of trainer. Planes soon to be produced include 200 Martin B-26 bombers, 39 PBY airframes and twin-engined Anson advanced trainers. Orders for 400 more Hurricanes and hundreds more Harvard trainers have recently been placed; these, in addition to other aircraft, are to be built in the course of the next two years. Engines for planes made in Canada are imported from the United States or added to the planes in England.

### *Automatic Weapons*

The manufacture of automatic weapons in Canada is reaching gratifying proportions. One Canadian factory, which began making Bren guns before the war, has the largest output of any automatic gun plant in the world. It is turning out two types of machine gun. Another plant to manufacture automatic guns for airplanes is being built. It will be about one-third the size of the Bren gun plant.

### *Rifles*

The Lee-Enfield rifle, modern standard equipment for British and Canadian forces, is now being mass-produced in Canada by Small Arms Limited, a Government-owned company. This is the first time that rifles have ever been mass-produced in Canada.

### *Guns*

Fourteen types of land and naval gun, including latest type of anti-aircraft and anti-tank guns, and ten types of mountings, are now being made or are soon to be made in Canada. Two-pounder guns are in substantial production. Other types of light gun, mortars, 25-pounders and anti-tank guns are now being produced. Anti-aircraft gun barrels have been produced in quantity for many months. The first complete anti-aircraft gun to be made in Canada was recently turned out. It is the famous 40 MM Bofors. Many will be made in the next few weeks. A Canadian plant has recently completed the first naval gun mounting ever made in the Dominion, and a wide range of naval armaments is in production.

### *Chemicals and Explosives*

Sixteen of Canada's 23 chemicals and explosives plants, some of which equal in size any similar plants in the Empire, have begun to produce. This year alone the total production of explosives in Canada should exceed the entire Canadian output during the whole of the first Great War. Twelve types of chemicals and eight types of explosives are being turned out. Construction of chemicals and explosives plants is 85% complete.

### *Small Arms Ammunition*

Small arms ammunition factories are manufacturing tens of millions of rounds monthly and are constantly increasing production. The quality of this ammunition is very high.

### *Shells*

Shells and shell components are being produced in many factories well up to schedule. Twenty-two types of gun ammunition of ten different calibres are now being turned out at a rate of millions of rounds a year. Aerial bombs, rifle grenades, depth charges and anti-tank mines are also being made. One bomb factory, which has been producing for five months, is expected to manufacture 100,000 500-pound bombs a year.

### *Army Vehicles*

Over two hundred thousand army mechanical transport vehicles have been ordered in Canada and more than 135,000 of these have been delivered and are in service. They include universal carriers and a variety of truck and transport. The majority were exported to Britain and Empire countries, and are being used in the North African campaign.

### *Tanks*

Canada has manufactured its first heavy infantry and cruiser tanks, both of which incorporate the latest improvements of Canadian engineers. They are said to be faster to build than any tank of the size yet produced on this continent or in Great Britain. The Canadian tank program calls for the production of 800 infantry and 1,000 cruiser tanks.

### *Personal Equipment*

Canada has produced a tremendous amount of personal equipment for her armed forces. This includes more than 100,000 separate and distinct kinds of article. Orders to the value of about \$100,000,000 have been placed for the equipping and maintaining of Canadian forces.

### *Miscellaneous*

War equipment now being manufactured in Canada and not made in this country before the war, includes optical and other instruments, field telephones, special wireless equipment, a variety of naval instruments and stores, compasses, chemicals for smoke screens, chain cable, anti-submarine equipment, minesweeping gear, anti-gas clothing, gas masks and parachutes.

Research Enterprises, Limited, a Government-owned company which is manufacturing precision instruments, has received orders for \$48,000,000 worth of equipment, including radio locators. Of these orders \$36,000,000 worth will be completed by the end of 1942.

### *Contracts Awarded*

The total value of contracts awarded and commitments made by the Departments of Munitions and Supply on Canadian and British account now far exceeds the \$2,000,000,000 mark. This includes commitments for plant expansion and equipment.

## THE WAR AND THE CANADIAN ECONOMY

(See also pages 42-47.)

### *Economic Expansion*

#### *Increased Activity*

Canada's war program has caused a marked expansion in the economy of the nation. Industrial output has enormously increased and has still to reach its peak, factories are turning out more and more goods; business activity is up and is still rising; mines are producing increasing quantities of minerals; foreign trade advances in spite of the dislocations of war; construction has reached record proportions and there is still much to do; transportation facilities are working diligently to bear the traffic of war;



nearly all the workers classed as "employable" in normal times are now at work, along with a considerable number who would not ordinarily be working for salaries and wages; the national income has substantially increased, over half the increase being in salaries and wages.

Most recent available figures show that industrial production in the first five months of 1941 was 13.1% greater than in the corresponding period of last year, and manufacturing production was up 11.4%, for the same periods; the physical volume of business increased 12.9%; mineral output was 4.5% greater; exports, excluding gold, rose 29.8% and imports were up 30.8%; number of construction contracts awarded was 50.2% higher and building permits issued were up 46.9%; railway car loadings were up 15.4% and the gross revenues of the C.N.R. (Canadian lines) and of the C.P.R. were up 29% and 32.9% respectively; the general index of employment was up 19.7% and manufacturing employment advanced 23.6%; the national income showed an increase of 10.9%. Because price increases in the commodity-producing industries were relatively slight, being limited to 4.1%, a large part of the improvement in national income resulted from an increase in the quantity of commodities and services produced. During June, however, a sharper increase in commodity prices was noted, the index advancing 1.9% between the weeks of May 30 and June 27. This was the highest level touched by the index since April, 1930, but it was still eight points below the August, 1929, peak.

### This Is A War Boom

Economic expansion does not mean that individuals, businesses or the nation as a whole are growing rich because of the war. On the contrary, with governments taking about three times as much money from the country as in peace, every one—from the Federal Government down—is feeling the need to retrench in order to help pay for the war. Economic expansion is the result of the insatiable demands of war.

Moreover, with Canada's war industry now in substantial production, civilian supply of many essential commodities is becoming more limited. Canadians are realizing to an increasing extent the need of placing their resources of key materials and foodstuffs at the disposal of those who can best use them for war purposes. At the same time, taxes and war investments are not the only

financial burden the average Canadian must face. Prices are rising, not alarmingly, but noticeably, in a number of commodities. In addition, certain persons have found that the war has destroyed the market for their product, limited their manufacturing scope, restricted their imports and exports, or in some other way disturbed their economic security. Such of these as are unable to turn to war work, are bearing a special burden.

### The Biggest Big Business in Canada's History

The Federal Government with a total outlay for the present fiscal year of about \$2,650,000,000 is the biggest big business in Canada's history. It is the organization charged with the conduct of the war, the one great undertaking which now overshadows all other enterprises in Canada. Forty-five cents out of every dollar earned is required to finance all its undertakings. Firms of many kinds from one end of the country to the other are under contract to supply it; a list of such firms reads like a catalogue of Canadian industry and business. The Canadian and British governments have underwritten capital advances of more than \$520,000,000 for industrial plant construction and expansion and for materials; the Canadian Government owns and operates twelve wartime companies. To-day, to an extent undreamed-of in Canada's history, Canadians, whether they are humble wage-earners or the directors of important businesses, are directly or indirectly working for the Government.

### *Wartime Controls*

#### The Part of Private Business

While the war has enormously enlarged the significance of Government enterprise, it has by no means destroyed the importance of individual business undertakings. Indeed, the energy and efficiency of such undertakings have been a major contributing factor to the success which Canada's war program has enjoyed to date.

#### Government Powers

Nevertheless, the Government has assumed a measure of control over the Canadian economy. Under the War Measures Act, the Munitions and Supply Act and other

wartime statutes, the Government has power to control the physical and human resources of the nation in any way necessary to the security of the state. Actually, these wide powers have been invoked only where voluntary co-operation has proved faulty or has been necessarily too unco-ordinated to prove effective. Generally speaking, in all phases of its war program, the Government has sought wherever practicable to secure the voluntary co-operation of the persons and interests involved.

## Economic Policy

Until recently, production for civilian purposes has in most cases been able to expand very substantially along with the expansion in war production. This has not interfered with the war effort, because before the war Canada had large reserves of unemployed or under-employed labour and capacity. Certain formal restrictive steps have had to be taken, but until recently financial measures have been the main ones used to speed war production and hold civilian production in check. These actions have been timed to keep in step with the war program. Generally speaking, in the economic sphere, government policy and public co-operation have worked together in various measures designed to ameliorate war-time stresses and to make possible a maximum war effort.

Now, with technical problems largely solved, more restrictions on civilian activity appear likely. More selective priorities, allocation of civilian supply and price fixing, may be required to give the physical capacities of the Dominion full opportunity and to distribute costs and burdens fairly.

### *Meeting the Problems of Supply*

#### Providing the Stuff of War.

To make the weapons of modern war, an adequate supply of machine tools and essential raw materials is vitally important. To take all possible steps to ensure such a supply is the function of the nine Controllors of industry and of the Priorities Branch of the Department of Munitions and Supply. Controllors have been established to regulate motor vehicles, machine tools, electric power, oil, timber, steel, metals, chemicals, ship construction and repair.



Machine tools, small tools, abrasives, electric power, oil, coal and coke, timber, iron, steel, aluminium, nickel, zinc, tin, copper, chrome, tungsten, manganese, lead, mica, asbestos and other minerals, chemicals and chemical constituents—these are among the tools and raw materials Canada most urgently needs to make weapons and engines of war for her armed forces and for Britain. The production and distribution of these materials is regulated by government officials.

### General Plan Followed

Many of these things are made or produced in Canada; others are imported in greater or less degree. In some cases the demand is very heavy and taxes the ingenuity of those charged with supplying them. In other cases, the situation is "easy". But in almost every case care has had to be taken to ensure a maximum supply.

These measures are mainly three. First, increasing domestic supply, and foreign supply where possible; second, curbing the use of such materials for non-war purposes; third, licensing the export of such materials. The Controllers, with the assistance and co-operation of industry and of business, have succeeded in a variety of cases in achieving these ends; and their unremitting efforts are continuing.

Formal restrictive measures have in some instances been adopted by the wartime Controllers; and for some time a priorities system for raw materials and manufactured products has been in effect. The step was taken to ensure that war supplies may be produced in order of their importance and to meet shortages or threatened shortages of goods arising from the ever-increasing volume of Canadian war production. By direct negotiation priorities officials try to avoid the formal application of priority classifications which might tend to retard rather than to expedite production. Priority certificates are issued only when all other means of obtaining necessary production have been tried and found inadequate.

Producers are expected to meet their own production problems by direct negotiation with others. Should such negotiations fail, the Priorities Officer may then take whatever steps are necessary. He may alter delivery dates, divert deliveries, ration materials or take any other action necessary to meet production needs. If these methods fail, priority ratings are assigned.

## General Steps Taken

Certain general measures have been undertaken to limit the use of machine tools for non-war purposes, and to reduce non-war production which requires essential raw materials. Designs have been "frozen" on Canadian manufactures of anything from automobiles to sewing machines in which a change of model would require new tooling. The erection of plants, the installation of equipment and the construction or repair of buildings have been limited to projects licensed by the Priorities Branch of the Department of Munitions and Supply. Construction in Canada is now being concentrated on completing industrial expansion, providing more structures for the armed forces and erecting low-cost housing units for war workers.

The manufacture of automobiles for civilian use has been curbed by a series of measures. To prevent the setting up by importers of new assembly operations which would consume material and labour, an order was issued in the spring of 1941, ruling that if an importer was not manufacturing before December 2, 1940 (the date of the embargo on imported cars), he could not start manufacture and make more cars than he could import under his quota. This was followed by an order curtailing the production and sale of automobiles for the period April to December, 1941, to the extent of about 20%, compared with the like period of 1940. The control was based on the foreign currency exchange content of the individual types and models of automobiles. This has effected a decrease in the number of passenger cars being produced for sale in Canada. Official estimates indicate that the average monthly rate of production of passenger cars is steadily declining. At the same time, total automobile production, including output of war vehicles, is up very considerably.

Even fewer passenger cars are to be produced next year. Production of passenger cars in 1942, for sale in Canada, will be less than half the 1940 figure. This will be effected by an order limiting production to about 44% of the 1940 output. The number of models will be cut about in half, and the accessories reduced to a minimum. The spring manufacturing peak will be "flattened out".

These steps are steadily releasing skilled workers, machine tools, steel, alloy steel, iron and other metals and materials for war production.

The manufacture of "white-wall" tires in Canada is now prohibited except under license. It is not proposed that any licenses will be issued, as the manufacture of such tires consumes additional zinc oxide and rubber simply for the sake of appearance.

### Specific Measures

*Machine Tools:* Steps have also been taken by the wartime controllers to conserve supplies of certain specific commodities. Machine tools, cutting tools and abrasives are basic in war production, and every effort has been made to supply war industries with as many of these tools as possible. The output of the Canadian machine tool industry was small before the war, but in 1940 it jumped about 800% over 1939, and steps taken this year are further increasing output. Canada normally imports most of her machine tools from the United States. These imports have increased markedly since the outbreak of war and every effort is being made to expedite such purchases.

*Electric Power:* Electric power supply has been increased in certain heavily industrialized areas. Highly important in this connection is an arrangement between Canada and the United States for utilization of additional water at Niagara for power development. Most of the additional Hydro electric capacity of the Niagara plants has in this way been put to use for war purposes. The industrialized areas of Ontario and Quebec have been on daylight saving time since the spring of 1940. This has saved a considerable quantity of electric power.

*Oil:* Canada is fifth among the oil-consuming countries of the world but produces only 15% of the oil she needs. Domestic production in Alberta has been considerably increased since the outbreak of war but the amount is still short even of Prairie Provinces requirements. As most of Canada's imported oil is brought in by tankers and many of these tankers have had to be diverted to Britain to replace tonnage lost in the Battle of the Atlantic, Canada has in recent months been faced with a reduction in oil imports and a consequent diminution of oil stocks in hand.

Several steps to conserve oil have been taken since June, 1940. In that month an order was issued curtailing the establishment of further service stations throughout the Dominion. In September the sale of oil for any equipment which previously utilized other fuel was prohibited.



In June, 1941, this measure was extended to include a ban on the installation of new oil-consuming equipment of any kind. From time to time steps have been taken to ensure the most efficient use of crude oil at refineries.

The latest step in oil conservation—a request to Canadians to cut their consumption of oil and gasoline for pleasure purposes by half—has been made necessary by the supply situation outlined above and by the rapidly increasing demands for oil and gasoline by the Navy, Army, Air Force and war industries. In order to encourage this cut in consumption, the sale of gasoline and oil to motorists on Sundays, and at night (7 p.m. to 7 a.m.) on week days, has been prohibited. Credit cards may no longer be used by Canadians, though they may be used by American tourists, and a list of pointers on how to save gasoline and oil has been placed before the public.

The new pipe-line from Portland, Maine, to Montreal is expected to relieve this situation to some extent, but it cannot be ready to make deliveries before the end of the year.

*Coal and Coke:* Coal and coke are under the supervision of the Coal Administrator of the Wartime Prices and Trade Board. So far the coal situation has been, on the whole, satisfactory. In December, 1939, the entire Canadian coal and coke trade was required to operate under license. This has enabled the Board to keep a watchful eye on the supply situation. Domestic supply has been increased, Canadian coal production in the year ending March 31, 1941, being 1,200,000 tons greater than in the preceding twelve months. Imports of bituminous coal from the United States in the same period were increased by more than 3,500,000 tons. Imports from the British Isles have been, on the whole, up to normal, and anthracite supplies from Britain have actually increased. European sources of supply have, however, largely disappeared.

Steps have been taken from time to time to deal with the problem of transporting coal and coke by water and rail. The latest move in this direction is a request to Canadians to buy next winter's supply of coal early in order to avoid the usual fall rush on coal. This must be prevented because of the enormous volume of war supplies being carried on Canadian railways.

The supply of coke in Canada is not so satisfactory. In spite of an increase of about 1,000,000 tons in Canadian

coke supplies during the past fiscal year, Canadians face a shortage of this fuel for civilian purposes. This has been caused by increasingly heavy demand for coke by war and allied industries.

*Timber:* Timber is very important in building a war industry. Since early in the war the Timber Controller and the lumbering and woodworking interests have worked together to mobilize the Canadian timber trade in accordance with the Dominion's wartime economy and also to assist the British Timber Controller in securing supplies from Canada.

Enormous quantities of lumber were required during the first year of the war both here and overseas when factories, plant additions and military, naval and air force projects were being built at great speed. The Government took steps to secure all lumber for its projects at the lowest possible price. This was done, with the co-operation of the industry, by centralized buying. The spring building program of 1941, combined with the new demands of U.S. defence construction, created a demand for timber that amounted to boom proportions. This situation, complicated by other factors, caused rising prices. In May, 1941, therefore, the Timber Controller fixed retail lumber prices for timber, lumber and millwork at levels obtaining on April 1, 1941. This did not apply to timber for export. The move has been very successful, and in spite of the fact that Canada is now consuming about 45% of her entire lumber output, prices have been maintained at a reasonable level. This has not only saved the country money but has prevented a hazardous situation from developing in the timber industry itself.

Various other steps have been taken to ensure the most economical and efficient use of both Canadian and imported timber. Millions of dollars have been saved by using less expensive woods for many purposes. This, too, has provided Canada with American exchange by making more high-grade timber available for export. U.S. dollars have also been conserved by the substitution of Canadian for American woods in Canadian construction where possible. In many instances it has been possible to substitute wood for steel, thus saving not only steel but also American dollars. Every effort has been made to increase Canadian production of hardwoods and imports from Empire countries—again in order to save U.S. dollars.

During 1940 Canada exported enormous quantities of timber to Great Britain. The war cut Britain off from the whole of her European supply, and as 75% of her pre-war requirements were supplied by European countries, it was essential, especially in the early stages of the war, to increase available imports. Canada's timber exports to Britain have included airplane spruce, birch logs for aircraft, plywood, box shooks, pit props, and other kinds of lumber, all of which through the co-operation of the lumber industry with the Timber Controller, were purchased at reasonable and stabilized prices.

*Steel and Iron:* Steel has been under the supervision of a Controller since June, 1940. Since that time measures have been taken to stabilize prices. Canadian production has been increased by stepping up the output of existing facilities and arranging for other sources of production. This has involved expanding the facilities of many plants, at Government expense in some cases. Production of both iron and steel has been stepped up in plants from coast to coast. Although Canada imports large quantities of steel from the United States, production of steel in Canada has risen from 1,300,000 gross tons a year in July, 1939, to 2,400,000 tons a year in July, 1941. Arrangements have recently been made with the United States to facilitate Canadian imports of iron, steel, and steel scrap.

Iron is being produced in increasing quantities. Pig iron production in 1940 was more than 50% greater than in 1939 and in the first six months of this year the output was about 14% greater than in the corresponding period of last year.

Measures to conserve steel have been taken. Other materials are being used wherever possible. Structural steel shapes have been standardized and reduced in number from 267 to 70.

An informal system of priorities has been operated to ensure that essential undertakings have the steel they require. All orders for pig iron must now be approved by the Steel Controller, who approves them on the following priority basis: castings required for war work; castings required by transportation systems, mining and petroleum industries, and public utilities; castings for agricultural implements, and the pulp and paper and lumber industries; and castings not otherwise classified.



*Metals, Minerals and Alloys:* The following are among the important minerals which are under the supervision of the Metals Controller, who was appointed in July, 1940,—aluminum, nickel, gold, copper, zinc, cobalt, lead, molybdenum, chromium, tin, manganese, potash, tungsten, and magnesium. The first eight are available in quantity in Canada: the others have to be imported in greater or less degree to meet normal requirements.

Production of the metals normally turned out in quantity has been greatly increased; output of others of which Canada has some supply has been stepped up; and new developments are being made all the time in order to increase the variety as well as the quantity of Canada's mineral output. In addition, imports of needed metals have been increased wherever possible. While exports of scarce metals are severely restricted, Canada's exports to Britain and the United States of those she produces in quantity, such as nickel and aluminum, have greatly increased. Recent arrangements provide for further expansion in the output of nickel and aluminum and for increased exports to Britain and the United States.

Canada's mineral output in 1940 was 11.5 per cent greater than in 1939 and constituted a record. Production in the first five months of 1941 was 4.5 per cent greater than in the first five months of 1940.

Canada has not only increased her mineral output to record proportions since the outbreak of war; she has also developed sources of several strategic minerals, most of which were never turned out in the Dominion in any quantity before the war. Mercury has been in production for about a year, and tungsten, antimony and manganese are being developed. Widespread surveys are being carried out by the Dominion Government and other agencies with the purpose of opening up new sources of strategic mineral wealth.

The use of metals in Canada for non-war purposes has been curbed by agreements between the Metals Controller and industry. A variety of measures have been taken. For example, no virgin aluminum metal is released for purposes other than munitions and aircraft manufacture. Scrap metal exports are severely restricted. No permits for such exports are issued if the scrap can be used in Canada, and aluminum, zinc and nickel scrap cannot be exported at all. Domestic curtailment of zinc is now under way in Canada. All industries using zinc are co-operating.

The following table indicates the extent to which the use of aluminum, nickel and zinc is being restricted to essential undertakings:

	1940		Estimated 1941	
	Essential Use %	Non-Essential Use %	Essential Use %	Non-Essential Use %
Aluminum	73	27	98	2
Nickel	60	40	89	11
Zinc	46	54	77	23

Canadian production of alloys is ten or twelve times the pre-war level.

*Chemicals:* Measures to assure an adequate supply of chemicals, constituents and intermediates have been taken from time to time. In July, 1940, a Chemicals Controller was appointed to supervise this work.

*Shipping:* More than 100 freighters of the 9,300-ton class are to be made in Canada at a cost of about \$200,000,000. Eighty of these will be in service by the end of 1942. Several keels have already been laid down, and the first freighter is to be ready for the sea by December of this year.

Canada has taken all possible steps to increase the number of ships available to Britain and to assist in the movement of American ore on the Great Lakes. This has been done in addition to carrying on her own essential water-borne trade.

In addition to all ocean-going merchant vessels which could be spared, a large number of Great Lakes vessels, a number of vessels of special type, such as salvage vessels, and a considerable number of tankers have been made available to Britain. Arrangements are being made to transfer Canadian Lakes vessels to coastal work next winter, in order that coastal ships may be freed for deep-sea duties. All vessels taken in prize or requisitioned by the Canadian Government are being used to carry goods to Britain, with the exception of one which is unsuitable for such service.

For some time the Canadian Shipping Board has been endeavouring to make arrangements whereby Canadian vessels could assist in the carriage of the greatly increased quantities of American ore which need to be moved this season on the Great Lakes. Several meetings have been held with Canadian lake operators and a careful survey

has been made of the problem. The latter is complicated by the fact that the Canadian Great Lakes fleet, already reduced by the transfer of a large number of vessels to United Kingdom services, is already fully engaged in a number of ways. It is carrying ore and coal for Canada's own defence industries, moving grain for export to the United Kingdom and carrying certain other important commodities largely or entirely dependent upon water transportation by reason of the fact that no railway facilities serve production centres.

However, at the request of the Canadian Shipping Board, Canadian owners of Upper Lakes vessels have already released approximately ten ships to assist in this movement and it is hoped that additional vessels will be made available before long.

Manning pools to provide groups of experienced merchant seamen at short notice will soon be established to facilitate merchant ship movements.

Canadian ship-repair facilities are being stepped up to a maximum to assure a rapid turn-around for merchant shipping and to provide quick repairs for ships of war. New drydocks are being rushed to completion in important ports.

### Co-operation with Britain and the United States

Co-operation with Britain and the United States in measures to ensure adequate supplies of machine tools and raw materials, has been very close from the beginning of the war. Recent steps to integrate the supply programs of Canada and the United States are assisting this vitally important co-operation to function as efficiently as possible.

## *Labour and the War*

### Labour Supply

Labour supply problems are receiving close attention from a number of agencies—the National Labour Supply Council, the Labour Co-ordination Committee and the Wartime Bureau of Technical Personnel. The latter is encouraging the transfer of experts from non-war to war work, and the training of men for war jobs in the shops of established plants. Several of Canada's leading industries are already co-operating in this latter work.

It is estimated that about half the persons employed in manufacturing in the Dominion are now engaged more or less directly on production associated with war-time needs. Many thousands of women are now employed in factories which manufacture shells, ammunition, guns, airplanes and other war equipment. Thousands of previously unskilled workers are being trained in technical and plant schools throughout the country. Many of these are women.

A precautionary measure giving the Government power to protect the supply of key workmen in Canadian war industry was taken recently when an Order in Council was passed extending the provisions of a previous order preventing employers from enticing to their service persons already engaged in war production. The new order gives the Government such powers as are necessary to keep persons in certain scarce or skilled trades, in war industry. This may be done by the establishment of a system of priorities operating through employment offices.

### Labour Relations

The Government has taken several steps since the outbreak of war to encourage good relations between management and labour and to effect a satisfactory adjustment of wages to wartime conditions.

In November, 1939, the provisions of the Industrial Disputes Investigation Act were extended to cover disputes between employers and employees engaged in war work. This means, among other things, that a strike in industries coming under the terms of the Industrial Disputes Investigation Act is illegal if called before a conciliation board brings in its findings. In June, 1940, an Order in Council was passed enunciating certain principles for the avoidance of labour unrest during the war and a National Labour Supply Council, equally representative of management and workers, was established. In December, 1940, a wartime wage policy, taking the 1926-29 level as the norm and suggesting that any increases be in the form of wartime cost-of-living bonuses, was adopted. In June, 1941, an amendment to the Industrial Disputes Investigation Act was passed. Designed to ensure that conciliation board findings will be completely impartial, it prohibits the nomination to conciliation boards of persons who have pecuniary interest in one side or the other in a dispute or



who have within six months acted as lawyer or paid agent for either side in the dispute. In June also the Government set up an Industrial Disputes Inquiry Commission to deal with labour trouble in its incipient stages and to determine whether or not a conciliation board is necessary. The Government has raised the minimum wages payable by manufacturers doing war work.

Early in July the Canadian Government made known its approval of a cost-of-living bonus for about 3,000,000 workers in Canada. The bonus is based on a rise in the cost of living above the level of August, 1939, and is calculated at the rate of \$1.25 per worker per week for each five per cent rise in the cost-of-living index.

The Order of December, 1940 (P.C. 7440), made provision for payment of a flat-rate bonus when it is found that the cost-of-living index of the Dominion Bureau of Statistics has risen at least five per cent and thus impaired the power to purchase basic necessities of life. The cost-of-living bonus is intended to give labor a shield against the worst consequences of rising prices, without causing further rise in wages which would likely lead to inflation. It is in line with the Government's policy of curbing price increases, controlling rents and restricting profits.

Average money wage rates are higher to-day than they have ever been in Canadian history with one exception. In 1920 wages were about 2 per cent higher than to-day; but the cost of living was nearly 50 per cent higher. Present-day conditions also compare favourably with 1929. Wage rates are about 4 per cent higher than in 1929 and the cost of living is about 8 per cent lower.

On July 1, unemployment insurance came into operation in Canada, spreading a cloak of protection over some two and one-half million workers. With their dependents, they total nearly one-half the population of the country. The Plan is administered by a commission representing the three parties who contribute to the Fund from which unemployment benefits will be paid; namely, workers, employers and the State. A worker's contribution ranges from twelve to thirty-six cents a week, depending on his earnings. Amount of benefit an unemployed worker receives and the length of time he receives it, are strictly related to the length of time he has contributed to the Fund and the amount of his contribution.

## Government Moves in Labour Disputes

In recent months the Government has found it necessary to take certain specific actions in labour disputes. In April, 1941, a Hamilton steel industry was firmly dealt with. A dispute between the management and the workers was referred to a conciliation board, as is required by law. However, the management refused to accept the majority finding of the board and the workers went on strike. Without delay the Government, invoking the powers it possesses, sent in a controller to take over management of the plant. The next morning the plant was producing and the workers were back at their jobs. A strike which subsequently occurred in the same plant in July, 1941, was ended after negotiation with the Government.

In June, 1941, strong action was taken against strikers who were impeding war production. Under authority of the Industrial Disputes Investigation Act, summonses were issued on June 12 against a number of employees of the Canadian General Electric Company in Toronto. They were charged with participation in a strike which was illegal because it occurred before the dispute had been referred to a conciliation board. Convictions were registered on July 15 and the men were fined.

In June, 1941, an Order in Council was passed bringing coal miners under defence regulations. It provides heavy penalties for miners who impede output.

A five-day shut-down which occurred late in July, 1941, in the plant of the Aluminum Company of Canada at Arvida, Quebec, led the Government to take further precautions against actions which impede war production. Under the War Measures Act an Order in Council was passed on July 29, the day the shut-down ended, amending the Defence of Canada Regulations so that they now give the Minister of Munitions and Supply authority to request the Minister of National Defence to call out units of the Active Army to prevent or suppress riots, disturbances of the peace or other actions likely to impede or obstruct the production or delivery of munitions of war or supplies or the construction of defence projects. The new regulation provides for action without delay. The Minister may utilize the Royal Canadian Mounted Police; or if they and municipal and provincial police are insufficient, he may call upon the Active Army.

The new regulations do not prevent the calling of a legal strike in Canada.

## Industrial Hygiene

The Government has taken steps, through the Division of Industrial Hygiene in the Department of Pensions and National Health, to improve and preserve the health of employees in war industry. Working conditions in defence plants are closely supervised. Advice on occupational hazards and disease is circulated to employers and employees. Workmen's Compensation Boards are supplied with information concerning new occupational diseases arising out of war manufacture. Laboratory research on occupational hazards is carried out.

## *The Necessaries of Life*

### Functions of the Wartime Prices and Trade Board

At the outbreak of war the Government took immediate steps to assure an adequate and continuous distribution of the necessaries of life at reasonable prices, to eliminate hoarding and profiteering, and to curb those who otherwise might turn national needs into personal profits. On the day that Britain declared war the Wartime Prices and Trade Board was appointed. The Board is endowed with wide powers permitting, where necessary, an adequate control of the production and distribution of the necessaries of life. The chief function of the Board is to protect the consumer from exploitation.

### Work of the Board

The Board has investigated the distribution and sale of all important consumer commodities, including sugar, butter, milk, tea, flour and feeds, bread, meat, canned goods, cod liver and other oils, cloth and clothing, hides and leather, wool, coal and rents, and with the help of technical advisers and administrators has endeavoured to forestall shortages wherever and whenever possible. In certain cases it has been found necessary to fix prices for a period of time, but the only maximum price now imposed by order of the Board is that on rents in crowded centres. Price levels have been set by agreement with certain trades. In most cases, the Board has been able to prevent unjustified price increases by creating an enlightened and effective public opinion, and by taking all possible steps to ensure ample supplies.

This work has involved a great amount of detailed study and negotiation. Technical Advisers are experts in their own fields, but Administrators are chosen from outside the industry in question so that unbiased authority may be exercised.

The Board's efforts to secure enlightened and voluntary co-operation have been most outstanding in regard to prices. Lately it has carried out campaigns to encourage Canadians to cut down home consumption of commodities needed for export to Britain. An interesting example of the Board's work in the price field is the administration of rent control in crowded centres. The Board provides both landlords and tenants with detailed information as to how fair rents may be arrived at; and for those who are unable to obtain satisfaction as a result of this instruction, courts operate to hear appeals. The most recent advice issued to the public by the Board is its "serve by conserving" campaign, which urges householders, hotels, restaurants, shops, etc., to make the most economical use of perishable foodstuffs, animal fats, and other foods often allowed to go to waste.

The problem of ensuring ample supplies is a very complicated one and various methods have been adopted in this matter. For example, a system of import and export licensing, combined with efforts to increase domestic production, has been used to conserve available supplies of fish livers and oils, hides and leather and wool. Again, government purchasing, as in the cases of sugar and wool, has been carried out to assure adequate supplies at economical prices and to allow maximum co-operation with Britain in the use of shipping facilities. The problem of distribution has engaged the Board's attention and various measures to ensure the best possible transportation facilities and rates for essential products have been taken. Another task which the Board undertakes is the investigation of complaints of hoarding and profiteering. It takes corrective action where necessary.

The Board has at all times co-operated with the Food Supply and Shipping Controls in Britain. Several measures helpful to these offices have been taken since the outbreak of war.

#### Difficulties Faced

The difficulties faced by the Board have been many. Depreciation of the Canadian dollar, disorganized shipping, tremendous increases in ocean freight rates and war



insurance costs, and substantial increases in taxes on many commodities, have all affected the prices of certain essential products. Nevertheless, by careful planning and co-operation it has been possible to maintain an adequate and uninterrupted flow of supplies on to the Canadian market.

The cost of living since the outbreak of war has risen about 9.6 per cent, an increase which is spread fairly evenly through all sections of the country.

### *Agriculture and the War*

#### The Agricultural Supplies Board

While price control of farm commodities is administered by the Wartime Prices and Trade Board, the Federal Department of Agriculture is in charge of food production in wartime. At the beginning of the war, the Department set up an Agricultural Supplies Board generally to direct production activity and to deal with other agricultural problems arising out of the war. It is the responsibility of the Agricultural Supplies Board and its collaborating provincial production committees to ensure that Canadian agriculture is conducted, during war-time, in a manner calculated to satisfy, as far as possible, the needs of Canada and the United Kingdom for food and fibres.

The Board acts as a central directive agency, attempting to guide production in the light of Canada's known needs and of British requirements as ascertained through constant telegraphic and, when the need arises, personal communication with the British authorities.

Through special sub-committees, the Board assures supplies of fertilizers and pesticides needed in Canada; by Dominion-Provincial joint programs, production is undertaken in suitable areas of those field root and vegetable garden seeds ordinarily supplied in large measure by Europe; and by direct action, the Board controls the fibre flax industry in Canada to make sure that a maximum quantity of flax fibre and tow goes forward to the British Fibre Control, and that surplus fibre flax seed from Canada is made available to Northern Ireland.

To prevent dislocations in the agricultural industry, the Board has endeavoured to assist those branches of agriculture that, through the disappearance under war conditions of normal export outlets, have become war casualties. A case in point is the apple industry, which, particularly in Nova Scotia and British Columbia, had been developed on an export basis.

## Food for Britain

Independent of the above Board, but working in close collaboration with it, are three Boards which purchase and forward supplies of Canadian farm products contracted for under agreements between the British Ministry of Food and the Canadian Government. The Bacon Board buys, stores and ships Wiltshires and other pork products required by Britain, limiting, when necessary, supplies used in Canada in order to ensure that contract needs are met. The Dairy Products Board acts in a similar capacity with respect to Canadian cheddar cheese needed by the United Kingdom, and takes such measures as will ensure needed supplies of other dairy products for Britain or for the domestic market. A Special Products Board, established in the spring of 1941, is responsible for purchasing and shipping to the United Kingdom certain Canadian farm produce, such as eggs, and fruit and vegetable products, not already being handled by the two Boards mentioned immediately above.

An important wartime problem which the Department of Agriculture has dealt with is the surplus of wheat and the related problem of providing adequate supplies of feed for livestock at reasonable prices. As Canada has a large wheat surplus, the Government has instituted a policy of wheat acreage reduction. At the same time, more coarse grains are being grown. This policy, combined with moves to reduce the price of millfeeds and restrict their exportation, will assist livestock production and thus provide more of the products Britain needs in greater quantity—cheese and pork products.

Other steps to increase the supplies of Canadian food to Britain have been taken. Most of Canada's cheese now goes to Britain. To make this economically possible and to assure a reasonable price to British buyers, the Canadian Government pays about one quarter of the return to the producer on all cheese sold to Britain. In 1938, 76,000,000 pounds of Canadian cheese went to Britain. Since the war, the quantity has steadily increased, and at least 112,000,000 pounds are being sent in the year ending March next.

Similar steps have been taken with respect to bacon and other pork products. The amount of such products available for domestic consumption has been reduced by about 25%; Canadian citizens have been asked to cut their consumption of pork meats drastically; such products are

no longer to be exported to any country except Britain or British possessions; and the Government has undertaken, as in the case of cheese, to pay a substantial share of the return to the producer. In 1938 Canada sold 160,000,000 pounds of bacon and other pork products to Britain. It is estimated that by October of this year, Canada will have exported to Britain 800,000,000 pounds of such products since the war began.

By September of this year Canada will have shipped 15,300,000 dozen eggs to Britain. Some 200,000,000 bushels of wheat and about 7,000,000 barrels of flour have been supplied to Britain since the outbreak. Recently Canada agreed to deliver 120,000,000 bushels of wheat to Britain during the period ending May next. Millions of pounds of concentrated milk have been sent to Britain since the beginning of the war. Thousands of tons of canned goods have been shipped, and about 13,000,000 pounds of honey. About two-thirds of the Canadian canned salmon pack will go to Britain this year.

The war has depressed certain lines of agriculture. But it has on the whole presented a real challenge to Canadian farmers. Britain needs certain products in as large quantities as shipping space will allow; other products she does not want or cannot take under war conditions. Nevertheless, Canadian farmers are becoming as far as is practicable suppliers of Britain.

### *Foreign Exchange Control*

(See also Pages 50-53.)

#### Canada's United States Dollar Problem

A supply of foreign exchange, particularly American dollars, is vital to Canada's war program. To ensure this supply and to perform other necessary functions, the Foreign Exchange Control Board was given the necessary powers at the beginning of the war.

Canada normally sells the Sterling resulting from her Empire trade in order to get American dollars to cover her trade deficit with the United States. But the war has made this procedure impractical. For Britain has needed most of her gold and American dollars for her own war purchases in the United States, and so has not been able to continue to convert Canadian Sterling credits into U. S. dollars. Moreover, since the beginning of the war, Britain has been able to settle only a fraction of her billion dollar trade

deficit with Canada by transfer of gold; and since December of last year no gold has been transferred from Britain to Canada.

At the same time Canada's net deficit with the United States, on both current and capital account, has increased. In 1938, the last full year before the war, it was about \$115,000,000. In the year and a half between September 15, 1939, and March 31, 1941, it was about \$477,000,000. In the present fiscal year (April 1, 1941, to March 31, 1942) it will amount to about \$467,000,000, less whatever reduction is effected under the terms of the Hyde Park Agreement.

Thus, because of greatly increased war purchases in the United States, Canada, since the beginning of the war, has been faced with a widening differential between the amount of U.S. dollars she needs and the supply she is able to command. For, under the terms of the U.S. Neutrality Act, Canada's vast war purchases in the United States must be paid for in cash in U.S. dollars. And at the same time, because of the financial burden which the war has placed on Britain, the Dominion has been unable to make up her exchange deficit with the United States in the normal peace-time manner.

### Conserving United States Dollars

Foreseeing this situation, the Canadian Government did the only thing possible. It took steps to conserve the American dollars in Canadian possession and to increase that supply where possible. Canada has tried to avoid the accumulation of unliquidated obligations during the war which would only make it more difficult to do away with the control after the war. Instead, the Dominion has made every effort to meet her exchange shortages by making her own residents do without things which are not essential. Over a year ago Canada placed a special war-time tax on all imports except those paid for in Sterling. This was intended to discourage the purchase of non-essential imports. In July of 1940, Canada ceased to permit the sale of foreign exchange to Canadians for pleasure travel abroad. It was a necessary choice of buying holidays or buying war supplies from the United States. The Government did not like to do this, but since a very substantial saving of exchange could be effected, it felt that the step was necessary. Finally, about the end of 1940, Canada took the more drastic step of prohibiting the importation of a long list of non-essential consumer



goods. For certain other major items gradual reductions in imports by Canadians were decreed. Such articles include automobiles, radios, cameras, electric fixtures, household appliances and scores of similar products.

United States dollar exchange provided in these ways, combined with that accruing from the export and tourist trades and from other miscellaneous sources, has provided Canada with a pool out of which she may pay for imports, service Canada's debt payable in foreign currencies and cover other necessary external disbursements. In order that Canada may continue to purchase goods in the United States on a scale commensurate with the demands of the Dominion's all-out war program, it has been necessary to continue the methods for conserving foreign exchange outlined above, even though the Hyde Park Declaration has established a principle which, it is expected, will result in an easing of Canada's foreign exchange position.

For this reason, among others, Canada this year is especially anxious to attract American tourists to the Dominion. Americans can visit Canada and return without difficulty. They are assured of unique vacation facilities, will enjoy a 10% premium on their money, and will have the satisfaction of knowing that every American dollar they spend in Canada will go back to the United States to purchase war supplies for the Canadian armed forces.

### Other Foreign Exchange Control Measures

The Foreign Exchange Control Board exerts other war-time controls, which bring needed United States dollars to Canada. It has taken steps to stabilize the Canadian dollar, a condition which is vital to Canadian trade, and to prevent disorderly marketing of securities or an outflow of capital from Canada—developments which usually threaten a nation engaged in war.

## FINANCIAL UNDERTAKINGS

### *Direct War Spending*

Canada's war spending has increased steadily and momentously. In the first 5½ months of the conflict the Dominion spent approximately \$118,000,000 on her own preliminary war activities. In the 1940-41 fiscal year (April 1, 1940, to March 31, 1941), direct expenditure for war was \$792,000,000. The amount spent in the first

three months of 1941 was about five times as great as the amount spent in the first three months of 1940. The current rate of war spending is well over \$1,000,000,000 a year. It is expected that direct war expenditure in the current fiscal year (April 1, 1941, to March 31, 1942) will be approximately \$1,450,000,000—nearly twice as much as the amount spent in the past fiscal year.

### *Indirect War Spending*

In addition to this direct expenditure on her own war requirements, Canada provides Great Britain with Canadian dollars to finance the bulk of British war purchases from Canadian firms. By repatriating Canadian bonds held in Britain, Canada is today paying obligations which ordinarily would not fall due until future years. By accumulating Sterling balances Canada, in effect, lends Great Britain money. Canada has to date supplied Britain with about \$750,000,000 in these ways—about three-quarters of Britain's trade deficit with Canada since the beginning of the war. The net amount which Canada expects to provide for this purpose in the present fiscal year, which ends on March 31, 1942, amounts to between \$800,000,000 and \$900,000,000.

### *Total War Spending*

In the first nineteen months of the war Canadians spent a total of about \$1,400,000,000 on their own war effort and on aid to Britain.

Canada's total war spending in the current fiscal year has been estimated to be somewhere between \$2,100,000,000 and \$2,350,000,000, the exact amount depending on as yet undeterminable factors. This is about 40 per cent of the total estimated national income of less than \$6,000,000,000. In terms of the relative populations and national incomes of Canada and the United States, Canada's total war spending this fiscal year would be equivalent to an expenditure by the United States for defence and for aid to Britain of about \$35,000,000,000 in a single year.

When war expenditures are added to the ordinary expenses of all Canadian governments, federal, provincial and municipal, Canadian citizens this year will have to give up about fifty cents of every dollar earned to foot the bill.

## *Financial Policy*

The main lines of Canada's financial policy during the war have been, firstly, to pay as much as possible of the costs of war from taxation; secondly, to impose this increased taxation in accordance with ability to pay; thirdly, to avoid inflation; and, fourthly, to time financial action in such a way as to encourage a rapid expansion of production to the maximum.

### *Increase in Tax Revenue*

The 1941-42 budget provides for raising about 76 per cent more money in taxes in this fiscal year than was raised in this way in the 1940-41 fiscal year. Here are the figures for the last three fiscal years.

<i>Total Revenue from Taxes</i>		
1939-40	Estimated 1940-41	Budgeted, 1941-42, for Full Fiscal Year
\$468,271,000	\$778,290,000	\$1,369,310,000

### *Increase in Direct Tax Revenue*

Direct taxes of all kinds are expected in the present fiscal year to raise more than two and one-half times as much money as in the last fiscal year. The following are the figures for the last three fiscal years; they show the sharp increase in direct taxes since the pre-war period.

<i>Total Revenue from Direct Taxes</i>		
1939-40	Estimated 1940-41	Budgeted, 1941-42 for Full Fiscal Year
\$136,910,000	\$274,690,000	\$732,000,000

In the 1940-41 fiscal year about five times as many Canadians as in the 1939-40 fiscal year had to pay income taxes of all kinds. The rates also were substantially higher. This year the rates are up again.

On personal income the new graduated rates will begin at 15 per cent on the first thousand dollars of net taxable income instead of 6 per cent or 8 per cent as at present. The National Defence Tax rates paid by practically everyone receiving income, salary or wages, have been increased from 2 per cent to 5 per cent, and from 3 per cent to 7 per cent.

In order to spread the tax load as fairly as possible through all sections of the country, an arrangement is being worked out with the Provinces which will centralize income and corporation tax collections.

The taxpayer in the middle income brackets will have to pay about twice as much income tax on his 1941 income as he paid on what he earned in 1940. The following table gives an idea of the way in which Federal taxes on personal income (including the National Defence Tax on 1940 and 1941 income) have increased since the outbreak of war:

<i>Taxes on Income Paid by a Married Canadian With No Dependents</i>			
Income	Tax on 1939 Income	Tax on 1940 Income	Tax on 1941 Income
\$	\$	\$	\$
1,500.....	0	30	75
3,000.....	36	195	400
5,000.....	144	555	1,000
10,000.....	781	2,070	3,080
50,000.....	14,351	21,390	26,965
100,000.....	39,299	51,300	61,875

Additional increases in direct taxes are provided in the 1941-42 budget. A greatly increased gift tax has been introduced, and a Dominion succession duty is to be levied.

Tax increases affect businesses as well as individuals. The minimum rate of corporation tax has been advanced to 40 per cent. This involves changes in the administration of the excess profits tax, which was imposed as a wartime measure.

### *Increase in Indirect Tax Revenue*

Indirect taxes of all kinds will raise considerably more money in the 1941-42 fiscal year than they provided in 1940-41. Below are the figures for the last three fiscal years. They show the steady increase in indirect taxes since the pre-war period.

<i>Total Revenue From Indirect Taxes</i>		
1939-40	Estimated 1940-41	Budgeted, 1941-42 for Full Fiscal Year
\$331,361,000	\$503,600,000	\$637,310,000

New indirect taxes and increases in existing indirect taxes now cut into the income of Canadians in all walks of life. New federal taxes include a tax of three cents a gallon



on gasoline, an excise tax of 10 per cent on travel fares and an excise tax of 20 per cent on the receipts of all places of public entertainment where an admission fee is charged—movie houses, theatres, concert halls, racetracks, sports arenas, etc. Racetracks bets are also taxed.

Increases in existing taxes include a rise in the basic rate on automobiles from 20 per cent to 25 per cent, and increases in taxes on sugar, beer, wine, carbonic acid gas, soft drinks, cigarette tubes, cosmetics and toilet preparations and long-distance telephone calls.

Indirect taxes imposed last year and continued this year include levies on liquor, tobacco, matches, radios, cameras, phonographs, and other durable consumers' goods. Customs duties on non-essential imports have been raised since the outbreak of war. Sales tax revenue has increased and the recent budget removed the exemption for building trades supplies.

### *War Loans and Savings*

Since the outbreak of war the Canadian Government has borrowed about \$1,460,000,000 from the public and from domestic financial institutions other than banks. This is equivalent to more than \$20,000,000,000 in terms of the relative populations and incomes of Canada and the United States. This money has been raised by the floating of three war loans and by the issue of war savings and non-interest-bearing certificates to the public. The war loans have provided the Government with more than \$1,200,000,000 in new money and about \$171,000,000 in conversions.

All three war loans have been oversubscribed. The recent 1941 Victory Loan, nominally for \$600,000,000 raised \$710,958,950 in cash subscriptions, according to latest available returns. This is more than the amount invested in the 1918 Victory Loan, Canada's largest loan during the last war. Including conversions, the total raised was \$806,834,600. The Government has accepted the whole of the oversubscription. About one in every thirteen Canadians, including men, women and children, subscribed to the Loan.

To July 26, 1941, applications for war savings certificates amounted to \$76,267,930; and to July 26, \$7,014,431 had been invested in non-interest-bearing certificates.

The Government expects in the present fiscal year to receive about \$200,000,000 in return for war savings certificates and in other forms of citizens' savings.

The amount of bank borrowing by the Dominion Government has been cautiously limited.

### *Balancing the Budget*

The total amount which the Federal Government will have to raise for war and ordinary purposes in the present fiscal year is estimated to be about \$2,650,000,000—about 45% of the total estimated national income during the same period. Of this amount taxes and non-tax revenue will provide about \$1,400,000,000 in the actual fiscal year ending March 31, 1942.

However, in estimating the extent to which the government is paying for the war "as it goes," it should be remembered that funds advanced to Britain now are covered by the accumulation of Sterling balances; and repatriation, while it imposes a present burden, is not a drain on capital. On this basis, the 1941-42 budget provides for the payment of between 73 per cent and 79 per cent of total federal expenditures (including ordinary disbursements and expenditure on Canada's own war program) out of revenue. The excess of expenditures over revenue is estimated at between \$365,000,000 and \$515,000,000.

### *Effecting War Economies*

The War Expenditures Committee of the House of Commons, composed of members from both the Government and the Opposition sides, is charged with the duty of examining war expenditures. It has recommended several economy measures, some of which have now been carried out.

## VOLUNTARY CONTRIBUTIONS AND SERVICES

(See also page 9)

### *Contributions*

Canadians have responded enthusiastically and generously to the many calls for voluntary contributions made since the outbreak of war. A large number of organizations are engaged in voluntary war work, and their efforts have been co-ordinated under the supervision of the War Charities Administrator. Considerably more than \$20,000,000 has

been contributed to these organizations since the outbreak of war. The Canadian War Services Fund combines six major charities devoted to the welfare of the fighting forces. The Canadian Red Cross has supplied food, clothing, first aid equipment and other comforts for British citizens in war areas; it has assisted in providing comforts for Canadian forces and has established and equipped a 600-bed hospital in Britain, and set up depots of emergency supplies in key points in preparation for disasters; it has sent comforts to British prisoners in internment camps and assisted Canadian to communicate with their friends in invaded and occupied countries and in internment camps. Other organizations include funds to assist the victims of enemy bombing, and to aid refugees, evacuees and specially deserving groups such as British fire-fighters. There are funds to purchase war planes, ambulances and mobile kitchens.

Thousands of Canadians and a large number of Americans have sent nearly \$2,000,000 to the Canadian Government as "free gifts" to help the war effort.

### *Services*

Thousands of Canadians are engaged in voluntary war work. Air Raid Precautions services have been organized in many communities and thousands of Wardens are now being trained. The services of many "dollar-a-year" men have been offered to and accepted by the Government. They occupy key positions in Canada's war machine. Scientists and technical experts have placed their skill and knowledge at the disposal of the government. More than ten per cent of the registered doctors in Canada are now on active service with the armed forces. Hundreds of qualified nurses are also serving with the forces and a large number are overseas. Newspapermen, university professors, agricultural chemists, lumbermen and a host of others, both prominent and obscure, have come to the aid of their country in the ways best suited to their talents and connections. The Canadian Manufacturers' Association, Chambers of Commerce, Boards of Trade and Service Clubs play their part in the war effort.

Women of Canada, in all parts of the country, in their homes, organizations, clubs and churches have devoted themselves to providing clothing and other material for the comfort of civilians and combatants in the war zones.

Women's organizations have increased rapidly in number and in strength. The Canadian Auxiliary Terri-

torial Service and the Canadian Women's Service Force both started in Ontario and now have branches in other provinces; there is the Women's Volunteer Reserve Corps in Montreal, the Women's Auxiliary Defence Corps in Hamilton and the Women's Reserve Corps in British Columbia, to mention but a few of the groups now organized to assist the war effort. It is estimated that more than 10,000 Canadian women wear the uniform of volunteer organizations. More than 1,000 are serving with the Canadian Red Cross Transport Service. With their associated services—the nursing service and the office and food administration—they comprise the Canadian Red Cross Corps of some 3,800 members throughout the country. The Corps is affiliated with the Royal Canadian Army Medical Corps.

Young Canadians are also playing their part. Junior branches of the Canadian Red Cross throughout the country have raised thousands of dollars for patriotic purposes and have sent thousands of articles overseas. Thousands of boys and girls and young women have been placed on farms during the summer months to replace men who have joined the armed forces. Boys and girls throughout the country have enthusiastically gathered salvable materials and purchased war savings certificates.

Canadian homes and schools are taking care of 6,000 children evacuated from Britain to Canada. It is estimated that 100,000 would have been accommodated, had circumstances allowed this.

A special nation-wide drive to obtain used aluminum articles from Canadian households is about to be launched. Salvage of aluminum and other waste materials has been going on in many parts of Canada since last year. In April, 1941, a National Salvage Campaign was launched by the Federal Department of National War Services. Considerably more than 2,000 centres are now taking part in the campaign. Men, housewives, school children and farmers have been informed by leaflets, posters and press notices of how they can best help. A variety of collection methods has been adopted and extraordinary success has been achieved in many centres. Materials being salvaged include aluminum, copper, brass and other metals, scrap iron and steel, carpets, woollens, mixed rags, bottles and glass, old tires, old shoes, bagging, string, cork, rubber, oils and fats, waste paper, newspapers and magazines.



## WAR ADMINISTRATION

Canada's war policies are instituted by the War Committee of the Cabinet, which consists of the Prime Minister, the three Defence Ministers, the Minister of Munitions and Supply, the Minister of Finance, the Minister of National War Services and three senior Ministers. Like the Cabinet itself it is responsible directly to Parliament, and it has full powers to make decisions and carry them into effect.

The War Committee co-ordinates all major branches of the Canadian war effort—armed services, munitions and supply, finance, labour, national war services and external affairs. Through the Ministers who meet in the Committee all questions of policy can thus be worked out in relation to the whole pattern of the war program.

The complexities of war administration are dealt with by a great many special war organizations, some of which have been referred to in these pages. The activities of these organizations, of the defence departments and of other smaller bodies set up since the beginning of the war, have drawn many thousands of office workers to the Canadian capital and other key points.

## THE UNITED STATES AND THE CANADIAN WAR EFFORT

(See also pages 40-42.)

### *Canadian Purchases in the United States Increased Because of War*

The United States has been a source of strength to Canada in her prosecution of the war. Canada buys many essential war materials and machine tools in the United States, and since the outbreak of hostilities has bought them in increasing quantities. In spite of a reduction in the amount of "non-essential" commodities coming to Canada from the United States, Canada's imports from that country have increased greatly since the outbreak of war. In 1938 they were valued at \$425,000,000; in 1939, in September of which year the war began, they rose to \$497,000,000; and in 1940 they soared to \$744,000,000. In the present fiscal year (April 1, 1941, to March 31, 1942) they are expected to reach \$953,000,000, of which at least \$428,000,000 will be for war purchases. At the same

time Canada's exports to the United States this fiscal year have been estimated to run to \$475,000,000—which would leave Canada with a trade deficit with the United States of about \$478,000,000.

### *The Hyde Park Declaration*

The Hyde Park Declaration has established a principle which, it is hoped, will reduce this deficit and assist Canada to maintain and increase her war purchases in the United States. As a result of the agreement, it is expected that Canada will be able to sell to the United States additional defence materials and some articles of war to the value of between \$200,000,000 and \$300,000,000 during the twelve months ending April next year. In addition, the United States is to lend-lease to Great Britain materials and parts to be shipped to Canada as components in Canadian production for Britain. Canada, herself, is not obtaining supplies from the United States under the lend-lease plan, but is paying cash in American dollars for everything which she purchases in the United States on her own account.

### *Canada Must Still Conserve Foreign Exchange*

According to Finance Minister J. L. Ilesley, the Hyde Park Declaration, though a magnificent contribution to the common struggle in which Canada and the United States are engaged, does not remove the need for the conservation of foreign exchange. The most reasonable estimate of the magnitude of the Hyde Park Declaration's effect on Canada's supply of American dollars still leaves a considerable deficit in Canada's balance of payments with the United States.

Because of this situation the Canadian Government has reluctantly decided not to release funds for travel in the United States by Canadians for other than business, health, educational or other urgent reasons. As heretofore, of course, any Canadian can visit American relatives or friends who provide the United States dollars for the purpose.

### *Further Significance of Hyde Park Declaration*

The Hyde Park Declaration has a significance over and beyond its financial importance to Canada. The net result of the Declaration, it is expected, will be that the

United States and Canada, each concentrating on the materials of war which it can produce best and most quickly, will become one strong team, working and producing according to a carefully planned program which will ensure the most rapid possible supply of war materials to Britain and her embattled allies, and the most efficient provision of defence articles for North America.

War equipment which Canada is able to export to the United States under the terms of the Hyde Park Declaration includes certain types of small arms, some guns and ammunition, certain explosives and chemicals, certain armed fighting vehicles, corvettes and minesweepers, aluminum and other metals and materials. There are also some types of clothing and textiles, leather, rubber and timber products and various secret devices in which Canada could probably make an important contribution if these were desired.

Canada has already increased her exports of essential raw materials to the United States. Since the outbreak of war, nickel, aluminum, other non-ferrous metals, non-metallic minerals, timber, pulpwood, pulp and newsprint have been among the commodities flowing in increasing volume from the Dominion to the Republic.

*Discussions on Economic Co-operation by Canadian  
and United States Officials*

The Material Co-ordination Committee of the United States and Canada has been appointed and has met. It consists of two United States and two Canadian representatives, all government officials and experts in their fields, whose task is to collect and exchange information on raw material supplies of the United States and Canada, in order that all sources may be made known to those responsible for war production.

Canada and the United States have established joint committees of inquiry to "explore the possibility of a greater degree of economic co-operation" between the two countries. The committees, which are known as the Joint Economic Committees, "have been instructed to study and to report to their respective Governments on the possibilities of: (1) effecting a more economic, more efficient and more co-ordinated utilization of the combined resources of the two countries in the production of defence.

requirements (to the extent that this is not now being done); and (2) reducing the probable post-war economic dislocation consequent upon the changes which the economy in each country is presently undergoing." The Committees met for the first time in Washington early in July.

The close attention which the problem of integration is receiving from these committees and from other officials, augurs well for the success of a continental supply policy.

### *Canada and the United States Plan Joint Defence*

(See also page 11)

The United States has in other ways been of assistance to Canada's war effort. Since the Ogdensburg Agreement of August, 1940, the Permanent Joint Board of Defence has been in operation, and it has now worked out its plans for the defence of North American coasts by Canada and the United States against any possible attack.

For some time Canadian and American troops have been stationed side by side in Newfoundland. Canadian soldiers were for a year in Iceland, where they helped to build the defences of that strategic island, now guarded by British and American troops. In Greenland, which the United States has taken under its protection, Canada has been assured access to any bases which the United States may build.

### *Canada Gets American Destroyers*

In September, 1940, the United States transferred fifty "over-age" destroyers to Great Britain in exchange for 99-year leases on bases in British possessions in the western hemisphere. Six of these destroyers were transferred to the Royal Canadian Navy and are at present playing an important part in its work.

### *Americans in the Canadian Armed Forces*

An even more direct and striking American contribution is the arrival in Canada of American volunteers for the Canadian armed forces. About 8% of the air crew trained or in training in the R.C.A.F. are Americans and 600 American fliers are acting as instructors for the Air Training Plan. Americans in the R.C.A.F. now wear a distinguishing badge "U.S.A." on the shoulder. More than 7,000 Americans are serving with the Canadian Army. Many of these volunteers have already gone overseas.




While the Canadian Government has made no effort to enlist United States citizens, it has ruled for the convenience of those who come to Canada to volunteer, that persons who, by taking the usual oath of allegiance to the British Crown, would thereby lose their nationality, do not have to do so if they wish to enlist in Canada and are otherwise acceptable to the Canadian authorities.

## CANADA PAYS CASH FOR AMERICAN SUPPLIES



Canada has bought increasingly large amounts of war supplies in the United States. In 1939 her imports from the United States were valued at \$497,000,000. In 1940 they soared to \$744,000,000. In the present fiscal year (April 1, 1941, to March 31, 1942) they are expected to reach \$953,000,000. Of this amount at least \$428,000,000 will be spent on war supplies, some of which will be materials and parts to be manufactured in Canada for Britain. The latter will be transferred to Britain under the lend-lease plan, and shipped to Canada. But Canada, herself, is not obtaining supplies under the plan. She pays cash for her own purchases in the United States.

## CANADA "LEND-LEASES" TO BRITAIN



Since the beginning of the war, apart from British goods sent to Canada, Britain has needed about a billion dollars to cover her purchases in Canada.

Britain has paid about a quarter of this sum in gold, but Canada has had to send more gold than this to the United States in order to fill her British orders. The Dominion has supplied the rest of the Canadian dollars Britain has needed. This has so far amounted to about \$750,000,000.

During the present fiscal year (April 1, 1941, to March 31, 1942,) Canada will export goods and war equipment to Britain to the value of \$1,500,000,000—\$23,000,000,000 in terms of American population and income. Canada will provide Britain with the bulk of this money.

The Dominion, it is clear, is not demanding "cash on the barrel-head" for her aid to Britain.